



ALL THAT GLITTERS: GOLD-RELATED INVESTMENT SCAMS

by Texas Attorney General Greg Abbott

FOR CENTURIES, GOLD HAS BEEN ONE OF the world's most popular investments. Long sought-after for coins and jewelry, gold's demand further increased as the tech revolution required gold for medical devices, cell phones and computers.

In recent years, investors worldwide have flocked to the precious metal as a safe haven against uncertainty in the global financial markets. Texans seeking to diversify their investment portfolios may be considering whether to capitalize on rising gold prices. With the price of gold bullion at record levels, potential investors should be cautious of inflated claims that are intended to take advantage of new or inexperienced investors. Before making any investment decision – including a decision to invest in gold, Texans should conduct thorough research and carefully study the market so that they can make informed investment decisions – and know how to avoid deceptive or fraudulent claims about gold-related investment opportunities.

Attempts to capitalize on the modern day gold rush range from vendors who overstate their products' long-term potential for increases in value to securities fraud. For example, the Securities and Exchange Commission recently took legal action against a

Florida-based mining company for issuing false press releases about its four new mining projects. According to the SEC complaint, the defendant defrauded investors by misrepresenting the value of its recent mining acquisitions. The defendant also reportedly misrepresented the nature of its ownership rights and overstated the potential profits it could realize from the mining projects.

Just as inexperienced investors should conduct careful market research before making major stock market investments, Texans should also become thoroughly versed in numismatics – the study of coins and currency – before investing heavily in gold coins. For example, fly-by-night websites may commit outright fraud by misrepresenting their products' bullion content or offering coins from unofficial, non-government "mints" that are made of imitation metals rather than real gold. When a vendor guarantees that a product will double or triple its value in a very short period of time, it is particularly important to investigate their claims and carefully evaluate whether they actually could be true.

According to the Federal Trade Commission, the value of bullion coins is determined primarily by their gold or silver content rather than by the coins' rarity or condition. The price of bullion

fluctuates daily, depending on the price of gold and silver in the world markets. At the same time, old coins' value may be more dependent upon their rarity or condition than the coins' gold content.

Knowledgeable coin collectors and numismatists often research coins and dealers for some time before buying even a single coin. Investment gains in the gold and rare coin market are often the result of careful scrutiny of a coin's quality, rarity, market availability and price.

Aspiring numismatists should always research a coin's grade and value as well as the prices offered by multiple coin dealers before making a purchase. Prospective buyers should also carefully review the seller's refund policy and get all other terms of sale in writing. Before making a purchase, Texans may contact the Attorney General's Office or the Better Business Bureau to find out if other purchasers have filed complaints against a particular seller.

Coin buyers should also consider having an independent appraisal service value a coin before any purchase is final. Unfortunately, some vendors may overstate the grade of the coins they sell, thereby artificially inflating the price. A third-party grading service can help investors determine the quality and

value of coins. Several nonprofit coin dealer associations, such as the American Numismatic Association (ANA), offer tips for selecting a reputable seller who adheres to the associations' ethics and arbitration guidelines.

Texans should also be wary of high-pressure sales pitches for gold-related investments – particularly when the seller promises high rates of return or insists that a potential investor make an immediate decision. These tactics are commonly used by con artists to coerce investors into making uninformed purchases.

Before making any investment – especially a sizable one, Texans should consult a trusted expert, such as a financial adviser or other professional who can provide a realistic outlook on various investment opportunities and their expected rate of return.

As the world's financial markets continue to struggle, gold will likely continue to be a promising investment opportunity. As with any investment decision, Texans should take time to study the market and find reputable sellers before investing in gold stocks or coins. Careful research may be an investor's best hedge against a gold-related investment scam.

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